

MORGAN COUNTY
Financial Statements - December 31, 2005
(With Auditors' Report Thereon)

MORGAN COUNTY

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Steven F. Crane, CPA
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Jeffrey L. Ambrose, CPA
Chuck Palmer, CPA

Independent Auditors' Report

Honorable Council Members
Morgan County
Morgan, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Morgan County, as of and for the year ended December 31, 2005 which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Morgan County as of December 31, 2005, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 7, 2006 on our consideration of Morgan County's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual non-major fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Crane, Christensen & Ambrose P.C.

June 7, 2006

MORGAN COUNTY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2005

INTRODUCTION

The following is a discussion and analysis of Morgan County's financial performance and activities for the year ended December 31, 2005. When read with the notes to the financial statements, this section's financial highlights, overview and analysis should assist the reader to gain a more complete knowledge of the County's financial performance. This is the second year that the County has implemented new reporting standards established by the Governmental Accounting Standards Board (GASB). Comparative analysis to previous years results are provided.

HIGHLIGHTS

Government-wide

- The County's net assets increased \$222,765 due to an increase in projected revenues and a decrease in expenses.

Fund Level

- Fund balances of the County's governmental funds increased \$124,000 from the prior year.
- Property tax revenues were \$2 million for 2005 which represents a 5.3% increase over the 2004 amount.
- The County's sales taxes were \$692,000, which is 10% higher than the 2004 number.

Long-term Debt

- The County's long-term debt decreased by \$285,000 in 2005 as payments were made towards the principle and no additional debt was incurred.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report includes the County's Basic Financial Statements. The Basic Financial Statements include three components: 1) governmental-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the Basic Financial Statements, this report also contains the required supplementary information, as well as, additional supplementary information and fund data, including combining statements for non-major funds.

The government-wide view of the County's finances is a requirement under the GASB Statement 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and became effective for the County for 2005. Fund financial statements have been reported in the past.

Government-wide Statements – Reporting the County as a Whole

The Statement of Net Assets and the Statement of Activities beginning on page 9 comprise the government-wide financial statements. These statements provide a broad overview with a long-term focus of the County's finances as a whole and are prepared using the full-accrual basis of accounting, similar to private-sector companies. This means all revenues and expenses are recognized regardless of when cash is received or spent, and all assets and liabilities, including capital assets and long-term debt, are reported at the entity level.

The statement of net assets presents information showing how the County's assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

MORGAN COUNTY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2005

The government-wide statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Morgan County's governmental activities include general government, public safety, public health, public works, recreation and library services.

The government-wide statements also include information about two component units, Morgan County Fair Board and the Municipal Building Authority.

Fund Financial Statements – Reporting the County's Most Significant Funds

The fund financial statements beginning on page 11 provide detailed information about individual major funds, not the County as a whole. A fund is a group of related accounts that the County uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the County's funds can be divided into three types: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Most of the County's basic services are accounted for in governmental funds and are essentially the same functions reported as governmental activities in the government-wide statements. Governmental funds use the modified accrual basis of accounting, which measures the flow of current financial resources that can be converted to cash and the balances left at year-end that are available for future spending. This short-term view of the County's financial position helps determine whether the County has sufficient resources to cover expenditures for its basic services in the near future.

Proprietary Funds – Proprietary funds are presented using the full-accrual basis of accounting. Morgan County uses two different types of proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County operates its garbage fund as an enterprise fund. Internal service funds account for operations that provide services to other governments on a cost-reimbursement basis. The County's Municipal Building Authority (MBA) operates as an internal service fund.

Fiduciary Funds – Fiduciary funds are account for resources held for the benefit of parties outside the government. Fiduciary funds use full-accrual accounting but are not included in the government-wide statements because the assets in those funds are not available to finance the County's own programs.

Reconciliation Between Government-wide and Fund Statements

The financial statements include schedules on pages 12 and 14 that reconcile the amounts reported for governmental activities on the government-wide statements (full accrual accounting, long-term focus) with amounts reported on the governmental fund statements (modified accrual accounting, short-term focus). Following are some of the major differences between the two statements.

- Capital assets and long-term debt are included on the government-wide statements but are not reported on the governmental fund statements.
- Capital outlays result in capital assets on the government-wide statements but are expenditures on the governmental fund statements.
- Debt proceeds result in liabilities on the government-wide statements but are other financing sources on the governmental fund statements.

MORGAN COUNTY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2005

Notes to the Financial Statements

The notes beginning on page 19 provide additional schedules and information that are essential to a complete understanding of the financial statements. The notes apply to both the government-wide financial statements and the fund financial statement.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Assets

The largest component of the County's net assets reflects investments in capital assets (land, buildings, equipment, roads, and other infrastructure) less all outstanding debt that was issued to buy or build those assets. As Capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities. Resources needed to repay capital-related debt must be provided from other sources.

Restricted net assets comprise 7% of total net assets and are subject to external restrictions on how they may be used. Unrestricted net asset at December 31, 2005 is \$1,945,273.

Morgan County
Net Assets
December 31, 2005

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2005	2004	2005	2004	2005
Current and Other Assets	\$ 2,413,125	\$ 2,528,641	\$ 71,129	\$ 104,072	\$ 2,484,254	\$ 2,632,713
Capital Assets	\$ 6,240,040	\$ 6,053,717	\$ 7,975	\$ 9,226	\$ 6,248,015	\$ 6,062,943
Total Assets	\$ 8,653,165	\$ 8,582,358	\$ 79,104	\$ 113,298	\$ 8,732,269	\$ 8,695,656
Liabilities	\$ 1,176,486	\$ 917,108	\$ -	\$ -	\$ 1,176,486	\$ 917,108
Total Liabilities	\$ 1,176,486	\$ 917,108	\$ -	\$ -	\$ 1,176,486	\$ 917,108
Net Assets:						
Invested in capital assets						
Net of related Debt	\$ 5,112,692	\$ 5,217,280	\$ 7,975	\$ 9,226	\$ 5,120,667	\$ 5,226,506
Restricted	\$ 548,050	\$ 606,769	\$ -	\$ -	\$ 548,050	\$ 606,769
Unrestricted	\$ 1,815,937	\$ 1,841,201	\$ 71,129	\$ 104,072	\$ 1,887,066	\$ 1,945,273
Total Net Assets	\$ 7,476,679	\$ 7,665,250	\$ 79,104	\$ 113,298	\$ 7,555,783	\$ 7,778,548

MORGAN COUNTY, UTAH

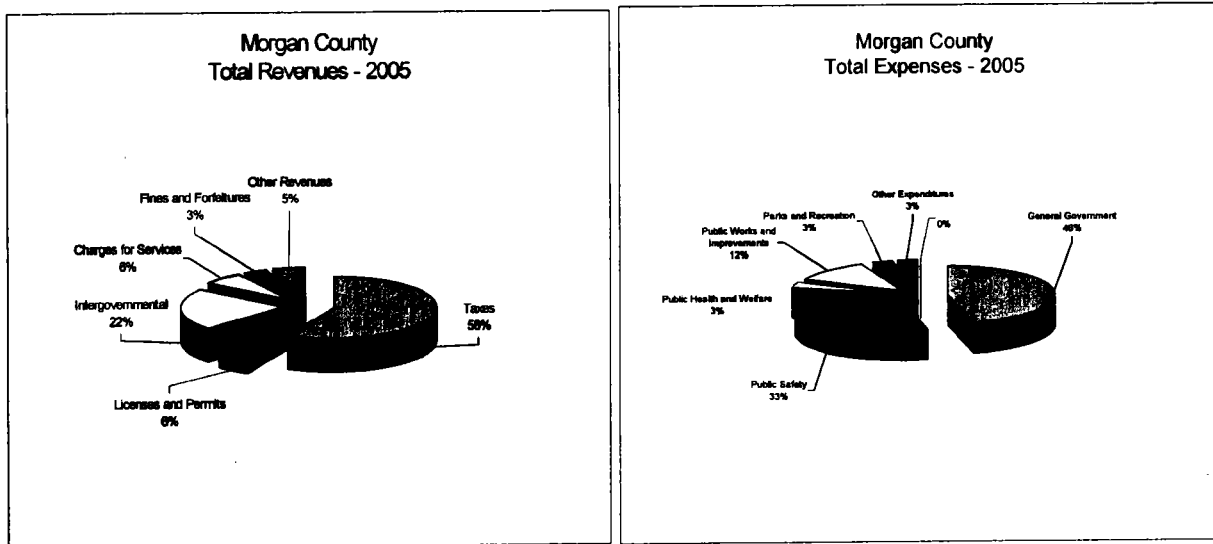
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2005

Changes in Net Assets

The County's combined net assets increased by \$222,765 from the prior year. Net assets of the governmental activities increased \$188,571. The County's business-type activities, the garbage fund, had an increase in net assets of \$34,194.

The following charts summarize the County's revenues and expenses for 2005.



Governmental Activities

Total tax revenues showed moderate increases during 2005. Property taxes edged upward due to continued development of residential growth. Net assets for governmental activities increased this year due mostly to revenues outpacing expenditures.

Morgan County Changes in Net Assets For the Year Ended December 31, 2005

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2005	2004	2005	2004	2005
Revenues						
General Revenues						
Taxes	\$ 2,561,492	\$ 2,728,774			\$ 2,561,492	\$ 2,728,774
Other General Revenues	\$ 553,451	\$ 500,974		\$ 8,350	\$ 553,451	\$ 509,324
Program Revenues:						
Charges for Services	\$ 253,265	\$ 469,864	\$ 325,938	\$ 337,156	\$ 579,203	\$ 807,020
Operating Grants	\$ 1,083,395	\$ 1,049,065			\$ 1,083,395	\$ 1,049,065
Capital Grants						
Total Revenues	\$ 4,461,603	\$ 4,748,677	\$ 325,938	\$ 345,606	\$ 4,777,541	\$ 5,094,183

MORGAN COUNTY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2005

Expenses

General Government	\$ 1,936,746	\$ 2,106,714			\$ 1,936,746	\$ 2,106,714
Public Safety	\$ 1,544,675	\$ 1,497,407			\$ 1,544,675	\$ 1,497,407
Public Health	\$ 175,896	\$ 152,282			\$ 175,896	\$ 152,282
Public Works	\$ 676,136	\$ 528,801			\$ 676,136	\$ 528,801
Parks and Recreation	\$ 91,150	\$ 136,064			\$ 91,150	\$ 136,064
Other Expenditures	\$ 151,611	\$ 138,838			\$ 151,611	\$ 138,838
Garbage Service			\$ 304,024	\$ 311,312	\$ 304,024	
Total Expenditures	\$ 4,576,214	\$ 4,560,106	\$ 304,024	\$ 311,312	\$ 4,880,238	\$ 4,560,106
Changes in Net Assets	\$ (124,611)	\$ 188,571	\$ 30,294	\$ 34,194	\$ (94,317)	\$ 222,766
Net Assets - Beginning (as restated)	\$ 7,601,290	\$ 7,476,679	\$ 48,810	\$ 79,104	\$ 7,650,100	\$ 7,555,783
Net Assets - Ending	\$ 7,476,679	\$ 7,665,250	\$ 79,104	\$ 113,298	\$ 7,555,783	\$ 7,778,548

The table below shows to what extent the County's governmental activities relied on taxes and other general revenues to cover all of their costs. For 2005, these programs generated \$1,518,929 or 33% of their total expenses through charges for services and grants. Taxes and other general revenues covered the balance of the expenses.

Morgan County
Net Cost of Government Activities
For the Year Ended December 31, 2005

	Total Program Expense		Less Program Revenue		Net Program Costs	
	2004	2005	2004	2005	2004	2005
Expenses						
General Government	\$ 1,936,746	\$ 2,106,714	\$ 259,327	\$ 361,195	\$ (1,677,419)	\$ (1,745,519)
Public Safety	\$ 1,544,675	\$ 1,497,407	\$ 628,974	\$ 730,817	\$ (915,701)	\$ (766,590)
Public Health	\$ 175,896	\$ 152,282	\$ 115,536	\$ 105,994	\$ (60,360)	\$ (46,288)
Public Works	\$ 676,136	\$ 528,801	\$ 332,823	\$ 295,923	\$ (343,313)	\$ (232,878)
Parks and Recreation	\$ 91,150	\$ 136,064	\$ -	\$ -	\$ (91,150)	\$ (136,064)
Other Expenditures	\$ 151,611	\$ 138,838	\$ -	\$ 25,000	\$ 151,611	\$ (113,838)
Total Expenditures	\$ 4,576,214	\$ 4,560,106	\$ 1,336,660	\$ 1,518,929	\$ (3,239,554)	\$ (3,041,177)

Business-type Activities

The garbage service continues to generate sufficient revenues to cover its operating costs. Net income for 2005 was approximately \$34,000. Revenue increased by \$11,000 and expenses increased by \$7,000.

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

The majority of the increases were the result of new public safety equipment.

Long-term Debt

MORGAN COUNTY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2005

At December 31, 2005, Morgan County had the following long-term outstanding debt associated with governmental activities. There was no long term debt associated with business type activities.

Morgan County
Long-term Liabilities
December 31, 2005

	Governmental Activities	
	2004	2005
Lease Revenue Bonds		
Mtn. Green Fire Station	\$ 273,000	\$ 264,000
Capital Lease Payable		
Sheriff Vehicle Lease	\$ 222,912	\$ 171,550
General Equipment Leases	\$ 4,253	\$ 2,238
Fire Truck	\$ 147,183	\$ 153,649
General Obligation Bonds		
Library/Senior Center	\$ 480,000	\$ 245,000
Compensated Absences	\$ 49,138	\$ 55,098
Total	\$ 1,176,486	\$ 891,535

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Fund Balances

At December 31, 2004, Morgan County's governmental funds reported combined fund balances of \$2,501,534. The following chart presents the County's 2005 ending balances.

Morgan County
Governmental Fund Balances
For the Year Ended December 31, 2005

	Reserved		Unreserved		Total	
	2004	2005	2004	2005	2004	2005
General Fund	\$ 548,050	\$ 806,769	\$ 887,110	\$ 931,192	\$ 1,435,160	\$ 1,537,961
Bond Interest			\$ 433,158	\$ 443,082	\$ 433,158	\$ 443,082
Flood Fund			\$ 279,919	\$ 279,919	\$ 279,919	\$ 279,919
Non-Major Funds			\$ 229,500	\$ 240,572	\$ 229,500	\$ 240,572
	\$ 548,050	\$ 806,769	\$ 1,829,687	\$ 1,894,765	\$ 2,377,737	\$ 2,501,534

General Fund

During 2005, the fund balance in the General Fund increased \$102,801 due to various revenues being higher than anticipated.

GENERAL FUND BUDGETARY HIGHLIGHTS

The County's general fund revenues were \$90,989 lower than was anticipated when the budget was adopted. Expenditures were \$428,112 lower than what was budgeted. The resulting change in fund balance was \$102,801 higher than budgeted.

MORGAN COUNTY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2005

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of Morgan County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning any of the information in this report or any other matters related to the County's finances should be addressed to:

Morgan County Clerk/Auditor
P.O. Box 886
Morgan, UT 84050

MORGAN COUNTY

Statement of Net Assets

December 31, 2005

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets:			
Cash and cash equivalents	\$ 2,469,448	77,933	2,547,381
Accounts receivable	38,525	26,139	64,664
Due from other governments	19,668	-	19,668
Prepaid items	1,000	-	1,000
Capital assets:			
Land and related non-depreciable assets	1,292,343	-	1,292,343
Buildings	4,092,155	-	4,092,155
Depreciable infrastructure and improvements	667,054	-	667,054
Machinery and equipment	3,539,624	123,048	3,662,672
Less accumulated depreciation	(3,537,459)	(113,822)	(3,651,281)
Total capital assets	6,053,717	9,226	6,062,943
Total assets	8,582,358	113,298	8,695,656
Liabilities:			
Accounts payable	906	-	906
Deferred revenue	24,667	-	24,667
Noncurrent liabilities:			
Due within one year	326,537	-	326,537
Due in more than one year	564,998	-	564,998
Total liabilities	917,108	-	917,108
Net assets:			
Invested in capital assets, net of related debt	5,217,280	9,226	5,226,506
Restricted for:			
Class B roads	426,349	-	426,349
Restaurant tax	76,101	-	76,101
Liquor allotment	63,988	-	63,988
Transient room tax	21,939	-	21,939
Tourism tax	18,392	-	18,392
Unrestricted	1,841,201	104,072	1,945,273
Total net assets	\$ 7,665,250	113,298	7,778,548

See independent auditors' report and notes to financial statements.

MORGAN COUNTY

Statement of Activities

Year Ended December 31, 2005

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental:				
General government	\$ 2,106,714	316,214	44,981	-
Public safety	1,497,407	50,656	680,161	-
Public health and welfare	152,282	102,994	3,000	-
Public works and improvements	528,801	-	295,923	-
Parks and recreation	136,064	-	-	-
Other expenditures	138,838	-	25,000	-
Total governmental activities	<u>4,560,106</u>	<u>469,864</u>	<u>1,049,065</u>	<u>-</u>
Business-type:				
Garbage service	<u>311,312</u>	<u>337,156</u>	-	-
Total business-type activities	<u>311,312</u>	<u>337,156</u>	-	-
Total primary government	<u>4,871,418</u>	<u>807,020</u>	<u>1,049,065</u>	<u>-</u>

General revenues:

Property tax

Sales and related taxes

Total taxes

Unrestricted interest earned

Other general revenues:

Miscellaneous

Total other general revenues

Total general revenues, special items and transfers

Change in net assets

Net assets - beginning of year

Net assets - end of year

See independent auditors' report and notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
(1,745,519)	-	(1,745,519)
(766,590)	-	(766,590)
(46,288)	-	(46,288)
(232,878)	-	(232,878)
(136,064)	-	(136,064)
(113,838)	-	(113,838)
<u>(3,041,177)</u>	<u>-</u>	<u>(3,041,177)</u>
<u>-</u>	<u>25,844</u>	<u>25,844</u>
<u>-</u>	<u>25,844</u>	<u>25,844</u>
<u>(3,041,177)</u>	<u>25,844</u>	<u>(3,015,333)</u>
1,994,891	-	1,994,891
733,883	-	733,883
<u>2,728,774</u>	<u>-</u>	<u>2,728,774</u>
36,943	8,350	45,293
<u>464,031</u>	<u>-</u>	<u>464,031</u>
<u>464,031</u>	<u>-</u>	<u>464,031</u>
<u>3,229,748</u>	<u>8,350</u>	<u>3,238,098</u>
188,571	34,194	222,765
<u>7,476,679</u>	<u>79,104</u>	<u>7,555,783</u>
<u>7,665,250</u>	<u>113,298</u>	<u>7,778,548</u>

MORGAN COUNTY

Balance Sheet
Governmental Funds

December 31, 2005

<u>Assets</u>	<u>General Fund</u>	<u>Bond Interest Fund</u>	<u>Flood Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash (note 2)	\$ 1,503,951	443,082	279,919	242,496	2,469,448
Accounts receivable (note 3)	38,525	-	-	-	38,525
Due from other governments	19,668	-	-	-	19,668
Prepaid items	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
	<u>\$ 1,563,144</u>	<u>443,082</u>	<u>279,919</u>	<u>242,496</u>	<u>2,528,641</u>
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Compensated absences	\$ 2,440	-	-	-	2,440
Deferred revenue	<u>22,743</u>	<u>-</u>	<u>-</u>	<u>1,924</u>	<u>24,667</u>
Total liabilities	<u>25,183</u>	<u>-</u>	<u>-</u>	<u>1,924</u>	<u>27,107</u>
Fund balances:					
Reserve for Class B roads	426,349	-	-	-	426,349
Reserved for restaurant tax	76,101	-	-	-	76,101
Reserved for liquor allotment	63,988	-	-	-	63,988
Reserved for transient room tax	21,939	-	-	-	21,939
Reserved for tourism tax	18,392	-	-	-	18,392
Unreserved	<u>931,192</u>	<u>443,082</u>	<u>279,919</u>	<u>240,572</u>	<u>1,894,765</u>
Total fund balances	<u>1,537,961</u>	<u>443,082</u>	<u>279,919</u>	<u>240,572</u>	<u>2,501,534</u>
	<u>\$ 1,563,144</u>	<u>443,082</u>	<u>279,919</u>	<u>242,496</u>	<u>2,528,641</u>

See independent auditors' report and notes to financial statements.

MORGAN COUNTY

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets

December 31, 2005

Total fund balance - governmental funds		\$ 2,501,534
Amount reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not reported as assets in governmental funds. These assets consist of:		
Land and related non-depreciable assets	\$ 1,292,343	
Buildings	3,742,328	
Depreciable infrastructure and improvements	667,054	
Machinery and equipment	3,539,624	
Accumulated depreciation	<u>(3,497,781)</u>	
Total capital assets		5,743,568
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of those internal service funds that primarily benefit governmental entities are included with governmental activities in the statement of net assets.		45,243
Some general liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds payable	(245,000)	
Leases payable	(327,437)	
Compensated absences and benefits	<u>(52,658)</u>	
Total long-term debt		<u>(625,095)</u>
Total net assets - governmental activities		\$ <u>7,665,250</u>

See independent auditors' report and notes to financial statements.

MORGAN COUNTY

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

Year Ended December 31, 2005

	General Fund	Bond Interest Fund	Flood Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 2,241,022	271,028	-	216,724	2,728,774
Licenses and permits	264,124	-	-	-	264,124
Intergovernmental	1,032,875	-	-	16,190	1,049,065
Charges for services	303,879	-	-	-	303,879
Fines and forfeitures	165,985	-	-	-	165,985
Other revenues	136,345	-	-	100,505	236,850
Total revenues	<u>4,144,230</u>	<u>271,028</u>	<u>-</u>	<u>333,419</u>	<u>4,748,677</u>
Expenditures:					
Current:					
General government	1,765,812	-	-	236,013	2,001,825
Public safety	1,456,353	-	-	-	1,456,353
Public health and welfare	156,674	-	-	-	156,674
Public works and improvements	488,095	-	-	-	488,095
Parks and recreation	30,367	-	-	86,334	116,701
Other expenditures	144,128	-	-	-	144,128
Debt service	-	261,104	-	-	261,104
Total expenditures	<u>4,041,429</u>	<u>261,104</u>	<u>-</u>	<u>322,347</u>	<u>4,624,880</u>
Excess (deficiency) of revenues over (under) expenditures	<u>102,801</u>	<u>9,924</u>	<u>-</u>	<u>11,072</u>	<u>123,797</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	102,801	9,924	-	11,072	123,797
Fund balances - beginning of year	<u>1,435,160</u>	<u>433,158</u>	<u>279,919</u>	<u>229,500</u>	<u>2,377,737</u>
Fund balances - end of year	<u>\$ 1,537,961</u>	<u>443,082</u>	<u>279,919</u>	<u>240,572</u>	<u>2,501,534</u>

See independent auditors' report and notes to financial statements.

MORGAN COUNTY

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Year Ended December 31, 2005

Net change in fund balance - total governmental funds		\$	123,797
Amount reported for governmental activities in the statement of activities are different because:			
Government funds report capital outlays as expenditures (\$289,887). However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$434,642). Capital outlays exceeded depreciation for the period.			(144,755)
Adjustments and asset retirements of general government capital assets are not reported in the fund statements but are reflected in the entity-wide statement of activities			(40,494)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.			(20,983)
The increases in long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.			
Capital leases	\$	-	
Compensated absences		(10,905)	(10,905)
Government funds report payments on general long-term liabilities in the fund statements but these transactions are excluded from the entity-wide statement of activities			<u>281,911</u>
Changes in net assets of governmental activities		\$	<u>188,571</u>

See independent auditors' report and notes to financial statements.

MORGAN COUNTY

Statement of Net Assets
Proprietary Funds

December 31, 2005

	Business-Type Activities - Garbage Enterprise Fund	Governmental Activities - MBA Internal Service Fund
Assets:		
Cash	\$ 77,933	-
Accounts receivable	26,139	-
Building and improvements	-	349,827
Machinery and equipment	123,048	-
Accumulated depreciation	(113,822)	(39,678)
Total assets	<u>113,298</u>	<u>310,149</u>
Liabilities:		
Accounts payable	-	906
Bonds payable	-	264,000
Total liabilities	-	<u>264,906</u>
Net assets:		
Invested in capital assets, net of related debt	9,226	46,149
Unrestricted	104,072	(906)
Total net assets	<u>\$ 113,298</u>	<u>45,243</u>

See independent auditors' report and notes to financial statements.

MORGAN COUNTY

Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds

Year Ended December 31, 2005

	Business-Type Activities - Garbage Enterprise Fund	Governmental Activities - MBA Internal Service Fund
Operating revenues:		
Charges for services	\$ 328,574	-
Miscellaneous	8,582	15,825
Total operating revenues	<u>337,156</u>	<u>15,825</u>
Operating expenses:		
Personnel services	10,021	-
Contractual services	292,611	-
Materials and supplies	4,731	15,914
Depreciation	3,949	14,069
Total operating expenses	<u>311,312</u>	<u>29,983</u>
Operating income (loss)	<u>25,844</u>	<u>(14,158)</u>
Non-operating revenues (expenses):		
Interest revenue	8,350	-
Interest expense	-	(6,825)
Total non-operating revenues (expenses)	<u>8,350</u>	<u>(6,825)</u>
Change in net assets	34,194	(20,983)
Net assets - beginning of year	<u>79,104</u>	<u>66,226</u>
Net assets - end of year	<u>\$ 113,298</u>	<u>45,243</u>

See independent auditors' report and notes to financial statements.

MORGAN COUNTY

Statement of Cash Flows
Proprietary Funds

Year Ended December 31, 2005

	Business-Type Activities - Garbage Enterprise Fund	Governmental Activities - MBA Internal Service Fund
Cash flows from operating activities:		
Cash received from customers	\$ 331,487	-
Cash received from other activities	8,582	15,825
Cash payments for payroll and benefits	(10,021)	-
Cash payments for goods and services	<u>(297,342)</u>	<u>(15,008)</u>
Net cash provided by operating activities	<u>32,706</u>	<u>817</u>
Cash flows from investing activities:		
Interest earned on cash deposits	<u>8,350</u>	<u>-</u>
Net cash provided by investing activities	<u>8,350</u>	<u>-</u>
Cash flows from noncapital financing activities	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Cash payments for property and equipment purchases	(5,200)	(12,995)
Interest paid	-	(6,825)
Payment on debt	<u>-</u>	<u>(9,000)</u>
Net cash used for capital and related financing activities	<u>(5,200)</u>	<u>(28,820)</u>
Net increase (decrease) in cash and cash equivalents	35,856	(28,003)
Cash and cash equivalents - beginning of year	<u>42,077</u>	<u>28,003</u>
Cash and cash equivalents - end of year	<u>\$ 77,933</u>	<u>-</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 25,844	(14,158)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,949	14,069
Decrease (increase) in accounts receivable	2,913	-
Increase (decrease) in accounts payable	<u>-</u>	<u>906</u>
Net cash provided by operating activities	<u>\$ 32,706</u>	<u>817</u>

See independent auditors' report and notes to financial statements.

MORGAN COUNTY
Statement of Fiduciary Net Assets
Year Ended December 31, 2005

	Agency <u>Funds</u>
Assets:	
Cash and investments	\$ 299,947
Accounts receivable	<u>6,385</u>
Total assets	<u>\$ 306,332</u>
Liabilities:	
Accounts payable and accrued liabilities	\$ 140,633
Due to other governmental entities	<u>165,699</u>
Total liabilities	<u>\$ 306,332</u>

See independent auditors' report and notes to financial statements.

MORGAN COUNTY

Notes to Financial Statements

December 31, 2005

(1) Summary of Significant Accounting Policies

Morgan County is incorporated under the constitutional provisions of the State of Utah. The County operates under a council form of government. It provides the following services as authorized by its charter: public safety, public health, highways and streets, sanitation, social services, culture-recreation, public improvements, judicial services, planning and zoning, libraries, and general administrative services. The financial statements of Morgan County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present Morgan County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units:

Morgan County Fair Board - The Morgan County Fair Board (Fair) is financially accountable to the County Commission. The Fair is reported as if it were part of the primary government because it was established for the benefit of County residents.

Municipal Building Authority of Morgan County - The Municipal Building Authority (Authority) is governed by the County Council. Although it is legally separate from the County, the Authority is reported as if it were part of the primary government because its sole purpose is to issue revenue bonds for construction of buildings which are leased by the County.

B. Government-Wide and Fund Financial Statements

The County's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the County as a whole, while the fund statements focus on individual funds.

Government-Wide Financial Statements

The government-wide statements present information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The effects of interfund activity have been eliminated from the government-wide statements except for the residual amounts due between governmental and business-type activities.

The Statement of Net Assets presents the County's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The County does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and statutory mandate. The various funds are grouped, in the financial statements in this report, into fund types and categories as follows:

MORGAN COUNTY

Notes to Financial Statements - Continued

December 31, 2005

(1) Summary of Significant Accounting Policies - Continued

Governmental Fund Types:

General fund - The general fund is the general operating fund of the County. It is used to account for all financial resources except those that are required to be accounted for in other funds. It also includes the financial activities related to most federal and state funds.

Special revenue funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. The County's Flood/Disaster, Flood, Health Services, Mineral Leases, Library, Fair and Bond Interest Funds are reported as special revenue funds.

Capital projects funds - These funds are used to account for financial resources to be used for the acquisition or construction of general major capital facilities.

Proprietary Fund Types:

Enterprise fund - The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The County operates its garbage fund as an enterprise fund.

Internal service fund - Account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

Fiduciary Fund Types:

Agency fund - Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or funds. Agency funds held by the County include the treasurer's tax collection fund, the circuit court fund and several miscellaneous agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Basis of Accounting

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases and decreases in net total assets.

All governmental funds are accounted for using the modified accrual basis of accounting. That is, revenues are recognized when they become measurable and available as net current assets. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property and sales taxes are considered "available" when in the hands of intermediary collecting governments and are recognized as revenue at that time. All other governmental fund revenue is recognized if it will be available within a one-year period. Those revenues susceptible to accrual are property taxes, franchise taxes, interest revenue, charges for services and sales taxes collected and held by the state at year-end on behalf of the County.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued in the individual funds because the current portion of these items cannot be reasonably estimated and (2) principal and interest on general long-term debt which is recognized when due.

MORGAN COUNTY

Notes to Financial Statements - Continued

December 31, 2005

(1) Summary of Significant Accounting Policies

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The County applies only the applicable FASB pronouncements issued on or before November 30, 1989.

D. Budgets

Annual budgets are prepared and adopted in accordance with the "Uniform Fiscal Procedures Act of Utah Counties" by the Morgan County Council on or before December 15th for the following fiscal year which begins on January 1. Budgets may be increased by resolution of the County Commission at any time during the year, following a public hearing. Budgets are prepared in line-item detail; however, budget amendments by resolution are generally required only if the fund desires to exceed its total budget appropriation. The County follows Uniform Fiscal Procedures for Counties as adopted by the State Legislature for policies concerning its budgetary accounting. Annual budgets are adopted for all governmental fund types. All annual appropriations lapse at fiscal year end.

During the year, two supplemental appropriations were made to the County's budget for a total of \$728,495.

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	50 years
Equipment and machinery	5-20 years
Other improvements	10-30 years

F. Reservations of Fund Balance/Retained Earnings

The County is required to reserve part of the fund balance of the general fund to account for the unexpended portions of certain types of revenue. The reserved fund balances are for class "B" road revenue, restaurant tax, liquor tax, transient room tax and tourism tax.

G. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund types consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) Deposits and Investments

Deposits and investments for Morgan County are regulated by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7i, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the County's exposure to various risks related to its cash and investment activities.

MORGAN COUNTY

Notes to Financial Statements - Continued

December 31, 2005

(2) Deposits and Investments - Continued

A. Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the County's deposits may not be recovered. The County's policy for managing custodial credit risk is to comply to the Money Management Act. The Act requires all deposits of County funds to be in a *qualified depository*, as defined as a financial institution whose deposits are insured by an agency of the federal government and which is certified by the Utah State Commissioner of Financial Institutions as meeting the requirements of the Act and complying to rules of the Utah Money Management Council.

The County's deposits in financial institutions in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Association (NCUA) are uninsured and are not collateralized, nor are they required to be collateralized by state statutes. The County's deposits on December 31, 2005 were \$3,143,175, of which \$3,043,175 were uninsured and uncollateralized.

Investments. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments that are in the possession of an outside party. The County does not have a formal policy specific to custodial credit risk of investments. However, general risk is addressed in the adopted Investment Policy. Even though the County has held investments other than those in the Public Treasurers' Investment Pool (PTIF) (investment pool managed by the Utah State Treasurer), such as commercial paper and medium-term notes, no investments outside the PTIF were held by the County during the calendar year 2005.

B. Credit Risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The County's policy for limiting credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be done only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasurer and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

The County is also authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the elected Utah State Treasurer and staff. It is also subject to the Utah Money Management Act and Utah Money Management Council rules. The PTIF is restricted to public funds of public entities within the State of Utah. The PTIF is not registered with the Securities and Exchange Commission as an investment company, and deposits in the PTIF are not insured or guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized costs basis. The income, gains, and losses, net of administration fees of the PTIF are allocated based on the participants' average daily balances. The value of the PTIF is approximately equal to the value of the pool shares. Following are the County's investments as of December 31, 2005:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF (General County)	\$ 2,011,331	59 days*	Not rated
PTIF (1996 Bond Account)	4,642	59 days*	Not rated
PTIF (Motor Vehicle Account)	145,053	59 days*	Not rated
PTIF (Treasurer's Tax Account)	<u>5,508</u>	59 days*	Not rated
Total	<u>\$ 2,166,534</u>		

*Weighted-average maturity

C. Interest Rate Risk

Interest rate risk is the risk that the value of an investment will be adversely affected by changes in market investment rates. The County manages exposure to declining value by investing primarily in the PTIF and by complying with the

MORGAN COUNTY

Notes to Financial Statements - Continued

December 31, 2005

(2) Deposits and Investments - Continued

Act. The Act requires the remaining term to maturity of investments may not exceed the period of the availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 265 days or less. Maturities of the County's investments are noted in the previous table.

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County manages this type of risk by compliance with the Act and rules of the Utah Money Management Council. Rule 2 of the council limits investment in certain endowments and funds. Rule 17 of the Council limits investment with a single issuer of commercial paper and corporate obligations to between 4 and 10 percent, depending upon the total dollar amount held in a government's portfolio at the time of the purchase.

(3) Accounts Receivable

Accounts receivable are shown net of an allowance for doubtful accounts. In the general fund the allowance is \$19,412 and in the enterprise fund the allowance is \$1,530.

(4) Capital Assets

Capital asset activity for the year ended December 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land and land improvements	\$ 1,292,343	-	-	1,292,343
Total	<u>1,292,343</u>	<u>-</u>	<u>-</u>	<u>1,292,343</u>
Capital assets being depreciated:				
Buildings	3,742,328	-	-	3,742,328
Other improvements	650,312	16,742	-	667,054
Equipment	3,306,973	273,145	(40,494)	3,539,624
Total	<u>7,699,613</u>	<u>289,887</u>	<u>(40,494)</u>	<u>7,949,006</u>
Less accumulated depreciation for:				
Buildings	(891,127)	(78,489)	-	(969,616)
Other improvements	(229,447)	(38,125)	-	(267,572)
Equipment	(1,942,565)	(318,028)	-	(2,260,593)
Total	<u>(3,063,139)</u>	<u>(434,642)</u>	<u>-</u>	<u>(3,497,781)</u>
Capital assets being depreciated, net	<u>4,636,474</u>	<u>(144,755)</u>	<u>(40,494)</u>	<u>4,451,225</u>
Governmental activity capital assets, net	<u>\$ 5,928,817</u>	<u>(144,755)</u>	<u>(40,494)</u>	<u>5,743,568</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets being depreciated	\$ 118,458	5,200	(610)	123,048
Less accumulated depreciation	(110,483)	(3,949)	610	(113,822)
Capital assets being depreciated, net	<u>7,975</u>	<u>1,251</u>	<u>-</u>	<u>9,226</u>
Business-type activities capital assets, net	<u>\$ 7,975</u>	<u>1,251</u>	<u>-</u>	<u>9,226</u>

Capital assets in the statement of net assets also includes the equipment and other depreciable assets, net of accumulated depreciation, for the internal service funds of \$310,149.

MORGAN COUNTY

Notes to Financial Statements - Continued

December 31, 2005

(4) Capital Assets - Continued

Depreciation expense of governmental activities was charged to functions as follows:

General Government	\$ 110,220
Public Safety	197,280
Public Health and Welfare	16,918
Public Works and Improvements	88,584
Parks and Recreation	21,640
Depreciation on capital assets of the County's internal service fund is charged to the various functions based on their usage of assets	<u>14,069</u>
Total	<u>\$ 448,711</u>

(5) Lease Revenue Bonds

On July 16, 2002, the County's Municipal Building Authority issued \$289,795 of lease revenue bonds to construct a fire station in Mountain Green, Utah. The facility has been transferred to the Mountain Green Fire Protection District under a capital lease contract between the District and the Municipal Building Authority of Morgan County. The lease revenue bonds will be paid from the proceeds of the capital lease. The bonds carry an interest rate of 2.5% and will be paid off in 2027. Minimum payments on revenue bonds are as follows:

	<u>Principal Payment</u>
2006	\$ 9,000
2007	9,000
2008	10,000
2009	10,000
2010	10,000
2011-2015	54,000
2016-2020	62,000
2021-2025	70,000
2026-2030	<u>30,000</u>
	<u>\$ 264,000</u>

(6) Capital Leases Payable

The County has capital leases included in general long-term debt. The debt is to be paid with general fund revenue. Future minimum lease payments together with the present value of the net minimum lease payments under capital leases at December 31, 2005 are summarized as follows:

<u>Year Ending December 31,</u>	<u>Sheriff Vehicle Leases</u>	<u>General Equipment Leases</u>	<u>Fire Truck Lease</u>
2006	\$ 58,344	2,486	20,432
2007	58,344	-	20,432
2008	58,344	-	20,422
2009	6,269	-	20,432
2010	-	-	20,432
2011-2015	-	-	81,728
Total lease payments	181,301	2,486	183,888
Less amount representing interest	<u>9,751</u>	<u>248</u>	<u>30,239</u>
Present value of minimum lease payments	171,550	2,238	153,649
Less current portion	<u>53,189</u>	<u>2,238</u>	<u>14,670</u>
Portion of obligations under capital leases due after one year	<u>\$ 118,361</u>	<u>-</u>	<u>138,979</u>

MORGAN COUNTY

Notes to Financial Statements - Continued

December 31, 2005

(7) General Obligation Bonds

On September 1, 1996, the County issued \$2,000,000 in general obligation bonds. The bonds were used to build a new library and seniors center and to upgrade the current county courthouse. The bonds are being repaid by a new tax levy in the library construction fund. Debt service on the bonds is as follows:

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Period Total</u>
3-1-2006	\$ -	6,676	6,676
9-1-2006	245,000	6,675	251,675
	<u>\$ 245,000</u>	<u>13,351</u>	<u>258,351</u>

(8) Changes in Governmental Activity Debt

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Lease revenue bonds	\$ 273,000	-	9,000	264,000	9,000
General obligation bonds	480,000	-	235,000	245,000	245,000
Capital leases	374,348	-	46,911	327,437	70,097
Compensated absences	49,138	5,960	-	55,098	2,440
	<u>\$ 1,176,486</u>	<u>5,960</u>	<u>290,911</u>	<u>891,535</u>	<u>326,537</u>

(9) Compensated Absences, Accumulated Unpaid Vacation, Sick Pay, Compensatory Time

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the government fund that will pay it. The amount of the liability expected to be liquidated with expendable and available financial resources has been shown as a liability in the general fund. The remaining amount not expected to be liquidated with expendable available financial resources is reported in the general long-term debt account group.

(10) Retirement Plans

Plan Description

Morgan County (County) contributes to the Local Governmental Non-contributory and Public Safety Contributory Systems, which are cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The System is established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Non-contributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah, 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Non-Contributory System the County contributes a combined rate of 11.09% of covered salary. The County contributes 19.34% to the Public Safety Non-contributory System based on covered wages. The contribution rate is actuarially determined. The contribution requirements of the System is authorized by statute and specified by the Board.

MORGAN COUNTY

Notes to Financial Statements - Continued

December 31, 2005

(10) Retirement Plans - Continued

The County's contributions to the various systems for December 31, 2005, 2004 and 2003 were as follows:

A. Local Governmental System - Non-contributory

<u>2005</u>	<u>2004</u>	<u>2003</u>	
\$ 932,606	796,930	795,904	Salary subject to retirement contributions.
103,425	82,575	72,881	Employer contributions.

B. Public Safety - Non-contributory

<u>2005</u>	<u>2004</u>	<u>2003</u>	
\$ 283,228	260,691	264,207	Salary subject to contributions.
54,408	46,066	39,829	Employer contributions.

C. 401(K) Contributions

<u>2005</u>	<u>2004</u>	<u>2003</u>	
\$ 33,556	34,761	36,419	Employee paid contributions.
34,779	25,771	21,608	Employer paid for employee contributions.

The above contributions were equal to the required contributions for each year.

(11) Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government is involved in various lawsuits at this time. Any possible liabilities as a result of these lawsuits cannot be determined at this point in time.

(12) Risk Management

Morgan County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage.

(13) Tax Calendar

<u>Duties to be Completed</u>	<u>Authorizing Statute</u>	<u>Statute Date</u>
Lien date	59-10-3 59-5-4	01/01
County treasurer to settle taxes charged and collected for previous year	59-10-66	03/31
County assessor delivers roll to county auditor	59-5-30	05/15
Tax commission reports value of centrally assessed property to counties	59-6-20	05/25
County assessor delivers to county auditor statement showing aggregate valuation of all taxable property	59-5-6	06/01

MORGAN COUNTY

Notes to Financial Statements - Continued

December 31, 2005

(13) Tax Calendar - Continued

<u>Duties to be Completed</u>	<u>Authorizing Statute</u>	<u>Statute Date</u>
County auditor sends valuation, certified tax rate and levy work sheets to each taxing district	59-5-6	06/01
Taxing district must adopt a proposed tax rate, certify the rate and levy, and submit to county auditor	59-9-7	before 06/15
County to set proposed tax rates	59-9-6.3	06/15
Taxing districts adopt tentative budgets and notify county of intent to exceed certified tax rate	59-5-6	06/15
County auditor to submit levy work sheets and supporting documentation to tax commission		06/15
County treasurer to mail tax notice	59-10-10	11/01
Counties post tentative budget		11/01
County auditor delivers assessment roll with affidavit	59-8-7	11/01
Payment and delinquency date	59-10-26	11/30
Counties adopt final budget		12/15
Delinquency list published	59-10-29	12/31

(14) Accounting Changes and Restatements - New Accounting Standards

The County implemented the following new accounting standard issued by the Governmental Accounting Standards Board for the year ended December 31, 2005:

GASB Statement No. 40, Deposit and Investment Risk Disclosures

Morgan County has implemented GASB Statement 40, *Deposit and Investment Risk disclosures - an amendment of GASB Statement No. 3*. As a result, the disclosures in Note 2 related to the County's deposit and investment risks have been changed.

REQUIRED SUPPLEMENTAL INFORMATION

MORGAN COUNTY

Notes to Required Supplementary Information

December 31, 2005

Budgeting and Budgetary Control

As more fully explained in Note 1 of the Notes to Financial Statements, annual budgets are prepared and adopted before December 31 for the calendar year commencing the following January 1 in accordance with the Uniform Fiscal Procedures Act for Utah Counties. State law requires budgeted revenues to equal budgeted expenditures, and legal control is exercised at the department level. Once a budget has been adopted, it remains in effect until it has been formally revised. Budgets for the general fund, special revenue, and capital projects funds are legally required and are prepared and adopted on the modified accrual basis of accounting. Therefore, no reconciliation between budgetary schedules and the GAAP statements is required.

The Budgetary Comparison schedules presented in this section of the report are for all of the County's major funds. Original budgets represent the revenue estimates and spending authority authorized by the County Council prior to January 1. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the County Council through formal resolution. Final budgets do not include unexpected balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

MORGAN COUNTY

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund

Year Ended December 31, 2005

<u>Revenues</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
General property taxes - current	\$ 973,120	1,002,475	984,356	(18,119)
Fee in lieu	210,000	210,000	212,641	2,641
Prior year's taxes - delinquent	20,000	20,000	14,119	(5,881)
General sales and use tax	594,001	594,001	692,008	98,007
Restaurant tax	24,471	24,471	27,641	3,170
Transient room tax	1,189	1,189	1,440	251
Tourism tax	6,524	6,524	6,659	135
Penalties and interest on delinquent taxes	6,000	6,000	6,135	135
Assessment for levying taxes	209,765	225,037	296,023	70,986
Total taxes	<u>2,045,070</u>	<u>2,089,697</u>	<u>2,241,022</u>	<u>151,325</u>
Licenses and permits:				
Conditional use permits	15,000	15,000	8,137	(6,863)
Business licenses	10,905	10,905	10,380	(525)
Building permits and fees	162,215	162,215	239,330	77,115
Marriage licenses	640	640	780	140
Animal licenses	4,451	4,451	3,455	(996)
Non-business licenses and permits	3,104	3,104	2,042	(1,062)
Total licenses and permits	<u>196,315</u>	<u>196,315</u>	<u>264,124</u>	<u>67,809</u>
Intergovernmental:				
Federal revenue	28,616	93,635	69,962	(23,673)
State revenue	109,545	401,072	412,172	11,100
Class B revenue	351,256	351,256	295,923	(55,333)
State liquor allotment	5,120	5,120	17,502	12,382
Shared revenue from other governments	253,050	253,050	237,316	(15,734)
Total intergovernmental	<u>747,587</u>	<u>1,104,133</u>	<u>1,032,875</u>	<u>(71,258)</u>
Charges for services:				
Recording fees	82,180	82,180	91,993	9,813
Planning and zoning	90,000	90,000	58,236	(31,764)
Ambulance fees	106,669	148,169	102,994	(45,175)
DLD class fees	-	46,000	42,102	(3,898)
Miscellaneous fees	4,706	4,706	8,554	3,848
Total charges for services	<u>283,555</u>	<u>371,055</u>	<u>303,879</u>	<u>(67,176)</u>
Fines and forfeitures:				
Court fines	142,604	142,604	165,985	23,381
Other revenues:				
Interest earnings	11,000	11,000	36,943	25,943
Rents and leases	49,277	49,277	61,072	11,795
Sundry revenue	265,638	271,138	38,330	(232,808)
Total other revenues	<u>325,915</u>	<u>331,415</u>	<u>136,345</u>	<u>(195,070)</u>
Total revenues	<u>3,741,046</u>	<u>4,235,219</u>	<u>4,144,230</u>	<u>(90,989)</u>

MORGAN COUNTY

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Continued
General Fund

Year Ended December 31, 2005

<u>Expenditures</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
General government:				
Council	\$ 54,997	55,047	55,009	38
District Court	40,695	40,695	32,773	7,922
Justice Court	64,469	64,469	60,594	3,875
Attorney for indigent	16,240	16,240	16,240	-
Microfilming	500	500	80	420
Human resource coordinator	41,044	41,044	40,497	547
Clerk/auditor	112,327	112,327	106,241	6,086
Treasurer	111,824	111,824	111,229	595
Recorder	147,023	150,023	145,820	4,203
Attorney	144,629	144,629	142,369	2,260
Assessor	115,603	115,603	114,490	1,113
Motor vehicles	52,252	52,252	48,356	3,896
Data processing	130,016	130,416	130,407	9
Non-departmental	183,500	343,082	275,339	67,743
Building and grounds	152,934	167,934	167,294	640
Elections	12,900	12,900	1,305	11,595
Planning and zoning	280,410	322,791	317,769	5,022
Total general government	<u>1,661,363</u>	<u>1,881,776</u>	<u>1,765,812</u>	<u>115,964</u>
Public safety				
Sheriff	726,310	931,225	930,796	429
Records clerk	51,448	71,683	70,062	1,621
Dispatch services	85,860	85,860	82,640	3,220
Liquor law enforcement	16,100	16,100	7,762	8,338
County fire department	69,617	99,028	96,060	2,968
Cooperative fire department	87,341	87,341	64,330	23,011
Jail service	60,000	134,000	81,996	52,004
Animal control	82,535	82,992	79,824	3,168
Emergency management	21,628	42,902	42,883	19
Total public safety	<u>1,200,839</u>	<u>1,551,131</u>	<u>1,456,353</u>	<u>94,778</u>
Public health and welfare:				
Ambulance	106,928	157,163	156,383	780
Council on aging	300	300	291	9
Total public health and welfare	<u>107,228</u>	<u>157,463</u>	<u>156,674</u>	<u>789</u>
Public works and improvements:				
Roads and highways	494,502	500,002	487,818	12,184
Weed control	10,550	10,550	277	10,273
Total public works and improvements	<u>505,052</u>	<u>510,552</u>	<u>488,095</u>	<u>22,457</u>
Parks and recreation:				
Fairgrounds	15,000	15,200	15,180	20
Fair	600	600	600	-
Rifle range	1,649	1,649	999	650
Recreation	13,588	13,588	13,588	-
Total parks and recreation	<u>30,837</u>	<u>31,037</u>	<u>30,367</u>	<u>670</u>
Other expenditures:				
Airport	138,000	138,000	16,042	121,958
TV tower	4,070	4,070	942	3,128
Extension service	41,473	42,973	42,909	64

MORGAN COUNTY

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Continued
General Fund

Year Ended December 31, 2005

<u>Expenditures - Continued</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Other expenditures - continued:				
GIS	\$ -	62,500	19,650	42,850
Economic development	32,184	32,184	32,144	40
Shared revenue to other governments	20,000	57,855	32,441	25,414
Total other governments	<u>235,727</u>	<u>337,582</u>	<u>144,128</u>	<u>193,454</u>
Total expenditures	<u>3,741,046</u>	<u>4,469,541</u>	<u>4,041,429</u>	<u>428,112</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(234,322)</u>	<u>102,801</u>	<u>337,123</u>
Other financing sources (uses):				
Lease proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Use of fund balance	-	234,322	-	(234,322)
Total other financing sources (uses)	<u>-</u>	<u>234,322</u>	<u>-</u>	<u>(234,322)</u>
Net changes in fund balances	-	-	102,801	102,801
Fund balance - beginning of year	<u>1,435,160</u>	<u>1,435,160</u>	<u>1,435,160</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,435,160</u>	<u>1,435,160</u>	<u>1,537,961</u>	<u>102,801</u>

MORGAN COUNTY

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Bond Interest Special Revenue Fund

Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 262,808	265,037	271,028	5,991
Total revenues	<u>262,808</u>	<u>265,037</u>	<u>271,028</u>	<u>5,991</u>
Expenditures:				
Current:				
Debt service	262,808	265,037	261,104	3,933
Total expenditures	<u>262,808</u>	<u>265,037</u>	<u>261,104</u>	<u>3,933</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	9,924	9,924
Fund balance - beginning of year	433,158	433,158	433,158	-
Fund balance - end of year	<u>\$ 433,158</u>	<u>433,158</u>	<u>443,082</u>	<u>9,924</u>

MORGAN COUNTY

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Flood Special Revenue Fund

Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ -	-	-	-
Total revenues	-	-	-	-
Expenditures:				
Current:				
General government	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balance - beginning of year	279,919	279,919	279,919	-
Fund balance - end of year	\$ 279,919	279,919	279,919	-

SUPPLEMENTAL INFORMATION

MORGAN COUNTY

Combining Balance Sheet
Non-Major Governmental Funds

Year Ended December 31, 2005

<u>Assets</u>	<u>Flood/ Disaster Fund</u>	<u>Health Services Fund</u>	<u>Mineral Lease Fund</u>	<u>Library Fund</u>	<u>Fair Fund</u>	<u>Library SSC Capital Project</u>	<u>Total</u>
Cash and cash equivalents	\$ 122,689	71,303	34,665	13,028	593	218	242,496
Prepaid items	-	-	-	-	-	-	-
Total assets	<u>122,689</u>	<u>71,303</u>	<u>34,665</u>	<u>13,028</u>	<u>593</u>	<u>218</u>	<u>242,496</u>
 <u>Liabilities and Fund Balance</u>							
Liabilities	\$ -	-	-	1,924	-	-	1,924
Fund balance:							
Unreserved	<u>122,689</u>	<u>71,303</u>	<u>34,665</u>	<u>11,104</u>	<u>593</u>	<u>218</u>	<u>240,572</u>
Total liabilities and fund balance	<u>\$ 122,689</u>	<u>71,303</u>	<u>34,665</u>	<u>13,028</u>	<u>593</u>	<u>218</u>	<u>242,496</u>

MORGAN COUNTY

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds

Year Ended December 31, 2005

	<u>Flood/ Disaster Fund</u>	<u>Health Services Fund</u>	<u>Mineral Lease Fund</u>	<u>Library Fund</u>	<u>Fair Fund</u>	<u>Library SSC Capital Project</u>	<u>Total</u>
Revenues:							
Taxes	\$ 12,574	96,464	-	107,686	-	-	216,724
Intergovernmental	-	9,347	-	6,843	-	-	16,190
Miscellaneous	-	-	29,707	4,772	65,867	159	100,505
Total revenues	<u>12,574</u>	<u>105,811</u>	<u>29,707</u>	<u>119,301</u>	<u>65,867</u>	<u>159</u>	<u>333,419</u>
Expenditures:							
General government	15,596	105,980	-	114,437	-	-	236,013
Recreation and public facilities	-	-	18,781	-	67,553	-	86,334
Total expenditures	<u>15,596</u>	<u>105,980</u>	<u>18,781</u>	<u>114,437</u>	<u>67,553</u>	<u>-</u>	<u>322,347</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,022)</u>	<u>(169)</u>	<u>10,926</u>	<u>4,864</u>	<u>(1,686)</u>	<u>159</u>	<u>11,072</u>
Other financing sources (uses):							
Transfers in (out)	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Net changes in fund balances	(3,022)	(169)	10,926	4,864	(1,686)	159	11,072
Fund balance - beginning of year	<u>125,711</u>	<u>71,472</u>	<u>23,739</u>	<u>6,240</u>	<u>2,279</u>	<u>59</u>	<u>229,500</u>
Fund balance - end of year	<u>\$ 122,689</u>	<u>71,303</u>	<u>34,665</u>	<u>11,104</u>	<u>593</u>	<u>218</u>	<u>240,572</u>

MORGAN COUNTY

Combined Statement of Changes in Assets and Liabilities -
All Agency Funds

Year Ended December 31, 2005

	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2005
Circuit court fund:				
Assets:				
Cash and cash equivalents	\$ <u>6,758</u>	<u>-</u>	<u>-</u>	<u>6,758</u>
Liabilities:				
Due to other governmental units	\$ <u>6,758</u>	<u>-</u>	<u>-</u>	<u>6,758</u>
District court fund:				
Assets:				
Cash and cash equivalents	\$ <u>50,330</u>	<u>54,246</u>	<u>50,072</u>	<u>54,504</u>
Liabilities:				
Due to other governmental units	\$ <u>50,330</u>	<u>54,246</u>	<u>50,072</u>	<u>54,504</u>
Justice court fund:				
Assets:				
Cash and cash equivalents	\$ <u>13,488</u>	<u>25,759</u>	<u>26,409</u>	<u>12,838</u>
Liabilities:				
Due to other governmental units	\$ <u>13,488</u>	<u>25,759</u>	<u>26,409</u>	<u>12,838</u>
Auditor's payroll fund:				
Assets:				
Cash and cash equivalents	\$ <u>(42,023)</u>	<u>400,332</u>	<u>364,694</u>	<u>(6,385)</u>
Accounts receivable	<u>42,023</u>	<u>6,385</u>	<u>42,023</u>	<u>6,385</u>
Total assets	\$ <u>-</u>	<u>406,717</u>	<u>406,717</u>	<u>-</u>
Liabilities:				
Payroll deductions	\$ <u>-</u>	<u>406,717</u>	<u>406,717</u>	<u>-</u>
Emergency 911 surcharge fund:				
Assets:				
Cash and cash equivalents	\$ <u>12,457</u>	<u>60,302</u>	<u>6,358</u>	<u>66,401</u>
Liabilities:				
Miscellaneous funds held	\$ <u>12,457</u>	<u>60,302</u>	<u>6,358</u>	<u>66,401</u>
Other agency funds:				
Assets:				
Cash and cash equivalents	\$ <u>151,761</u>	<u>38,714</u>	<u>116,243</u>	<u>74,232</u>
Liabilities:				
Miscellaneous funds held	\$ <u>151,761</u>	<u>38,714</u>	<u>116,243</u>	<u>74,232</u>
Treasurer's agency fund:				
Assets:				
Cash and cash equivalents	\$ <u>77,650</u>	<u>5,922,170</u>	<u>5,908,221</u>	<u>91,599</u>
Liabilities:				
Due to other governmental units	\$ <u>77,650</u>	<u>5,922,170</u>	<u>5,908,221</u>	<u>91,599</u>

MORGAN COUNTY

Combined Statement of Changes in Assets and Liabilities -
All Agency Funds - Continued

Year Ended December 31, 2005

	Balance January 1, <u>2005</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>2005</u>
Total - all agency funds:				
Assets:				
Cash and cash equivalents	\$ 270,421	6,501,523	6,471,997	299,947
Accounts receivable	<u>42,023</u>	<u>6,385</u>	<u>42,023</u>	<u>6,385</u>
Total assets	<u>\$ 312,444</u>	<u>6,507,908</u>	<u>6,514,020</u>	<u>306,332</u>
Liabilities:				
Due to governmental units	\$ 148,226	6,002,175	5,984,702	165,699
Payroll deductions	-	406,717	406,717	-
Miscellaneous	<u>164,218</u>	<u>99,016</u>	<u>122,601</u>	<u>140,633</u>
Total liabilities	<u>\$ 312,444</u>	<u>6,507,908</u>	<u>6,514,020</u>	<u>306,332</u>

MORGAN COUNTY

Statement of Taxes Charged, Collected and Distributed

Year Ended December 31, 2005

	Current			
	<u>Year-End Value</u>	<u>RDA Value</u>	<u>Adjusted Value</u>	<u>Tax Rate</u>
Taxing Entities:				
Morgan county funds:				
General fund	\$539,829,434	4,646,210	535,183,224	0.1928%
Bonds	539,829,434	4,646,210	535,183,224	0.0433%
Library fund	539,829,434	4,646,210	535,183,224	0.0172%
Tax collection county	539,829,434	4,646,210	535,183,224	0.0300%
Tax collection state	539,829,434	4,646,210	535,183,224	0.0173%
Health fund	539,829,434	4,646,210	535,183,224	0.0154%
Flood - disaster fund	539,829,434	4,646,210	535,183,224	0.0020%
Other entities:				
School district	539,829,434	4,646,210	535,183,224	0.3924%
School basic	539,829,434	4,646,210	535,183,224	0.1720%
Morgan City	105,849,311	4,646,210	101,203,101	0.1787%
Mountain Green fire	105,556,631	N/A	105,556,631	0.0595%
Mountain Green sewer	96,131,416	N/A	96,131,416	0.0221%
Weber Basin Water	539,829,434	4,646,210	535,183,224	0.0193%
Total				

	Other Collections			
	<u>Fee in Lieu</u>	<u>Miscellaneous Collections</u>	<u>Delinquencies Tax</u>	<u>Interest Penalty</u>
Taxing Entities:				
Morgan County funds:				
General fund	\$ 176,926	6,277	23,227	619
Bonds	39,706	38	5,252	143
Library fund	15,797	13	2,088	56
Tax collection county	14,943	539	1,979	54
Tax collection state	15,370	37	2,050	56
Health fund	14,175	12	1,880	51
Flood - disaster fund	1,879	-	248	7
Other entities:				
School district	342,837	995	45,020	1,200
School basic	153,700	327	20,531	565
Morgan City	38,205	1,140	2,096	63
Mountain Green fire	9,972	1,035	1,745	54
Mountain Green sewer	3,935	375	618	14
Weber Basin Water	16,907	50	2,247	61
Total	\$ 844,352	10,838	108,981	2,943

<u>Taxes</u>						
<u>Taxes</u>	<u>Unpaid</u>	<u>Abatements</u>	<u>Other</u>	<u>Total</u>	<u>Taxes</u>	<u>Collection</u>
<u>Charged</u>	<u>Taxes</u>			<u>Relief</u>	<u>Collected</u>	<u>Rate</u>
\$ 1,041,419	27,458	9,856	(1,799)	35,515	1,005,904	97%
233,865	6,167	2,214	(422)	7,959	225,906	97%
92,917	2,450	879	(153)	3,176	89,741	97%
152,234	4,272	1,534	(7,704)	(1,898)	154,132	101%
93,053	2,464	884	(459)	2,889	90,164	97%
83,217	2,193	787	(118)	2,862	80,355	97%
10,837	285	102	7	394	10,443	96%
2,106,117	55,884	20,060	(13,840)	62,104	2,044,013	97%
925,841	24,496	8,793	(4,046)	29,243	896,598	97%
180,388	6,235	3,747	(8,051)	1,931	178,457	99%
62,097	2,502	592	202	3,296	58,801	95%
21,250	920	177	153	1,250	20,000	94%
103,623	2,749	986	(654)	3,081	100,542	97%
<u>\$ 5,106,858</u>	<u>138,075</u>	<u>50,611</u>	<u>(36,884)</u>	<u>151,802</u>	<u>4,955,056</u>	

Independent Auditors' Legal Compliance Report

Honorable Council Members
Morgan County
Morgan, Utah

We have audited the financial statements of Morgan County for the year ended December 31, 2005 and have issued our report thereon dated June 7, 2006. The County received the following non-major grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of Morgan County's financial statements.)

CERT Grant (Department of Public Safety)
Sheriff's Patrol at East Canyon Grant (Department of Natural Resources)
Sheriff's Patrol at Lost Creek Grant (Department of Natural Resources)
DUI Overtime Grant (Department of Public Safety)
Library Grants (Department of Community and Economic Development)
State HLS Program (Department of Public Safety)

Our audit included test work on the County's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt	B & C Road Funds
Cash Management	Other General Issues
Purchasing Requirements	Uniform Building Code Standards
Budgetary Compliance	Statement of Taxes Charged, Collected and Disbursed
Truth in Taxation and Property Tax Limitations	Assessing and Collecting of Property Taxes
Liquor Law Enforcement	Transient Room Tax
Justice Courts	

The County did not receive any major State grants during the year ended December 31, 2005.

The management of the County is responsible for the County's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed an instance of noncompliance with the requirements referred to above, which is described in the accompanying Schedule of Findings and Questioned Costs. We considered this instance of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, except for the instance of noncompliance mentioned above, Morgan County complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2005.

Crane, Christensen & Ambrose P.C.

June 7, 2006

MORGAN COUNTY

Schedule of Findings and Questioned Costs

Year Ended December 31, 2005

PROGRAM: DEPARTMENT OF COMMERCE

FINDING:	One of the quarterly reports filed with the Division of Occupational and Professional Licensing was not filed timely.
QUESTIONED COSTS:	None
RECOMMENDATION:	To comply with State laws, the County needs to file these reports within 30 days of the end of each quarter.
COUNTY'S REPLY:	The report in question was late because the building inspector was on a medical leave. The County will file future reports in a more timely manner.

Report on Compliance and on Internal Control over Financial
Reporting Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

Honorable Council Members
Morgan County
Morgan, Utah

We have audited the financial statements of Morgan County as of and for the year ended December 31, 2005, and have issued our report thereon dated June 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Morgan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Morgan County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, County Council and oversight awarding agencies. However, this report is a matter of public record and its distribution is not limited.

Crane, Christensen & Ambrose P.C.

June 7, 2006